



# **STATEMENT OF ACCOUNTS**

2010/11

**DRAFT 30 JUNE 2011**

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Directorate of Corporate Resources  
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## Explanatory Foreword

### Introduction

Arun District is the largest district in West Sussex, both in terms of population (estimated at 152,787 mid-2010) and Council Taxbase (60,881 equivalent Band D properties). It includes the towns of Arundel, Bognor Regis and Littlehampton together with 28 surrounding parishes. The purpose of this Statement of Accounts is to provide information on how the Council has utilised the financial resources available to it in the delivery of the varied services it provides, both statutory and discretionary, to Arun's residents, and in a format which conforms as closely as possible to generally accepted accounting practices for company accounts.

### Revenue Spending in 2010/11

The 2010/11 budget was considered by Policy Scrutiny Committee on 19 January 2010 and by Cabinet on 25 January 2010 before being formally approved by full Council on 17 February 2010. It took account of the Council's financial strategy to 2015/16 considered by the Cabinet at its 10 August 2009 meeting and the revenue budget savings approved by Council at its 16 December 2009 meeting. The budget also took account of the Revenue Support Grant and Housing revenue Account subsidy settlements issued by the Department of Communities and Local Government (DCLG) early in 2010.

The government "Formula Grant" of £10.3 million for 2010/11 for Arun was 1.6% higher than the previous year, in line with expectation. The term "Formula Grant" covers both Revenue Support Grant and Redistributed Business Rate Income.

The revenue budget is shown below, analysed according to the responsibilities of the various cabinet member portfolios, and compared with the actual expenditure for the year as included in the accounts. This statement excludes the Housing Revenue Account to ensure consistency with reporting arrangements for budget approval and budgetary control.

<i>Item</i>	<i>Budget 2010/11 £,000</i>	<i>Actual 2010/11 £,000</i>	<i>Variation £,000</i>
<i>Cabinet Portfolios: net operational expenditure</i>			
Central Services	805	45	(760)
Community Safety	549	254	(295)
Economic and Cultural Development	2,099	2,018	(81)
Environment	5,759	5,725	(34)
Housing and Community Care	2,587	2,405	(182)
Planning	1,506	1,517	11
<i>Centrally determined costs</i>			
Support Service Charges	5,097	4,906	(191)
Corporate and Democratic Costs	2,430	2,267	(163)
Capital Charges	1,618	1,636	18
<i>Corporate Expenditure and Income</i>			
Parish Precepts and Levies	3,797	3,797	-
Interest and Investment Income	(456)	(693)	(237)
Contingencies and Miscellaneous Items	965	(65)	(1,030)
Net Transfers to / (from) Reserves	(1,349)	(622)	727
<b>Total Net Revenue Expenditure</b>	<b>25,407</b>	<b>23,190</b>	<b>(2,217)</b>

The actual net revenue spending for 2010/11 was £2.217 million less than the budget of £25.407 million, as shown above. Total income for the year from Council Tax, Government Grants and business rate income was £23.815 million against a budget of £23.836 million, the slight reduction being due to lower than expected Area Based Grant.

The overall saving was therefore £2.196 million, giving a surplus on General Fund of £0.625 million, compared to the budgeted deficit of £1.571 million. With regard to the overall saving, approximately £1.386 million was anticipated when setting the budget for 2011/12, as shown in the first column of the table below.

## Explanatory Foreword (*continued*)

### Revenue Spending in 2010/11 (*continued*)

	<i>Anticipated January 2011 £,000</i>	<i>Further variations £,000</i>	<i>Total variations £,000</i>
Supplementary estimates	519	(10)	509
Additional net income	(761)	(188)	(949)
Unrequired contingencies	(286)	(112)	(398)
Housing & Council Tax Benefit variations (net)	(290)	(131)	(421)
Salary costs from vacant posts	(400)	(70)	(470)
Other net variations	(168)	(299)	(467)
<b>Total</b>	<b>(1,386)</b>	<b>(810)</b>	<b>(2,196)</b>

### Capital Spending and Finance

A budget of £6.1 million for capital and special revenue projects was approved by the Council for 2010/11, of which £4.6 million related to new schemes. Actual spending for the year amounted to £6.1 million on capital (£1.0 million on revenue projects), with the main items of variation being slippage (delayed progress on schemes) and the capitalisation of some elements of the housing repairs (revenue) programme.

### Housing Revenue Account

The budget for 2010/11 allowed for a small deficit on the HRA and Major Repairs Reserve of £128,000. Savings on both supervision & management and repairs & maintenance expenditure resulted instead in a surplus of around £500,000, and year end balances totalling £4.3 million. Some of the saving will be required to catch up with repairs expenditure slipping into the following year.

### Pensions Liability

Under the requirements of IAS 19 the Council shows the total future costs of pension liabilities for the Local Government Pension Scheme. It is important to note that as the liability is matched by a reserve, the figures do not have any effect on the level of Council Tax. At 31 March 2011 the liability was £22.96 million compared with £57.75 million for the previous year. The reduction is accounted for mainly by changes in actuarial assumptions (see note 4 on page 30).

### Treasury Management

The Council had no external loan debt at 31 March 2011, and no borrowing of any kind was undertaken during the year apart from occasional use of the bank overdraft facility. The Council has significant cash surpluses, and these are invested with the highest quality banks and building societies in strict compliance with the CIPFA Treasury Management Code of Practice. Total investments amounted to £31.1 million (£31.3 million including accrued interest), managed entirely internally. The portfolio included £5.0 million invested for longer than one year. The total interest earned in 2010/11 was £594,000, representing an average interest rate of 1.7% (2009/10 2.9%).

### Balances and Reserves

The Council's total usable reserves at 31 March 2011 amounted to £28.3 million, an increase of £0.3 million compared with the previous year. They were comprised of: earmarked reserves £8.8 million; Housing Revenue Account balance £4.0 million; General Fund Revenue balance £9.8 million; usable capital receipts £5.4 million; and Housing Major Repairs Reserve £0.3 million. The usable capital receipts are available to finance capital expenditure, and the earmarked reserves include £1.2 million intended for this purpose also. The increase in usable reserves, although modest, will provide a useful extra cushion against the present adverse economic climate, which will almost inevitably lead to a decline in reserves in future years given the deficit on General Fund allowed for in the 2011/12 revenue budgets, and the planned use of the Capital Receipts Reserve for capital financing.

## **Explanatory Foreword (*continued*)**

### **Significant Provisions and Material Write-offs**

There were no significant provisions or material amounts written off for the year.

### **Unusual or Material Charge or Credit**

There were material and significant losses and gains on the revaluation of the Council's property assets, and on the level of the pensions liability (see note 4 on page 30). However, these were inconsequential, as they are precluded by statute from affecting the level of usable reserves.

### **Impact of Economic Climate**

The impact of the economic climate is difficult to assess as there are a number of variables which will affect the Council. Firstly there has been a sharp decline in the level of Central Government support for 2011/12 and these cuts are likely to persist for the four years of the comprehensive spending review until 2014/15. The income from fees and charges (principally from Planning and Car Parks) has remained relatively steady and appears to be unaffected by the economic downturn. Also the collection rate of Council Tax improved slightly in 2010/11 which should be considered as an achievement given the current climate. The low interest environment, which has persisted longer than anticipated, has meant that the Council has received considerably less interest from its investments than in previous years which is significant given the level of balances and reserves available which are outlined above.

The Council has a General Fund revenue balance of approximately £10 million which is adequate to withstand immediate financial pressures but is inevitably a finite resource and will be monitored carefully.

## Explanatory Foreword (*continued*)

### Changes in Accounting Policies

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £,000	Adjustments Made £,000
Accruals	(8,664)	(146)
Accumulated Absences Account	-	146

#### 31 March 2010 Balance Sheet

	2009/10 Statements £,000	Adjustments Made £,000
Accruals	(7,904)	(143)
Accumulated Absences Account	-	143

#### 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £,000	Adjustments Made £,000
Corporate and democratic Core	2,605	(3)

### Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has no leases where a change in accounting treatment is required.

## Explanatory Foreword (*continued*)

### Changes in Accounting Policies (*continued*)

#### Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- ◆ The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- ◆ Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- ◆ Grants were received in 2009/10, some of which were not used. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been recognised in full, and the unused portion transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £,000	Adjustments Made £,000
Government Grants Deferred Account	(7,219)	7,219
Capital Adjustment Account	(242,837)	(7,219)

#### 31 March 2010 Balance Sheet

	2009/10 Statements £,000	Adjustments Made £,000
Government Grants Deferred Account	(7,056)	7,056
Capital Adjustment Account	(238,237)	(7,056)

#### 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £,000	Adjustments Made £,000
Central Services to the Public	1,852	49
Cultural, Environmental and Planning Services	17,029	518
Highways, Roads and Transport Services	1,332	5
Housing revenue Account	(101)	26
Other Housing Services	3,060	30
Corporate and Democratic Core	2,605	11
Central Services to the Public		
Taxation and non-specific grant income	(23,514)	(957)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

## Explanatory Foreword (*continued*)

### Changes in Accounting Policies (*continued*)

#### Investment Properties

The Code required a review of assets to identify those that meet the definition of investment property. This review resulted in the reclassification of a number of properties from Property, Plant and Equipment to Investment Properties. This reclassification was recognised in the 2009/10 statements. However, the Code requires that income and expenditure related to investment properties is included as Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Consequentially, the financial statements have been amended as follows:

##### 31 March 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£,000	£,000
Property, Plant & Equipment	273,301	2,093
Investment Properties	6,007	(2,093)

##### 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£,000	£,000
Revaluation Reserve	(52,512)	35
Capital Adjustment Account	(238,237)	(35)

##### 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements	Adjustments Made
	£,000	£,000
Cultural, Environmental and Planning Services	17,029	30
Other Housing Services	3,060	(765)
Financing and Investment Income and Expenditure	745	700

#### Non-Current Assets Held for Sale

The Code requires the reversal of any 2009/10 revaluation gains following classification as held-for-sale that are in excess of cumulative impairment or revaluation losses previously recognised in the Income and Expenditure Account. The financial statements have accordingly been amended as follows:

##### 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£,000	£,000
Assets Held for Sale	736	(544)
Revaluation Reserve	(52,512)	544

#### Cash and Cash Equivalents

Following consideration of the definition of cash and cash equivalents in the Code, certain short-term deposits previously classified as short term investments have been designated as cash or cash equivalents. The effect on the financial statements is as follows:

##### 31 March 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£,000	£,000
Short Term Investments	24,027	(3,429)
Cash and Cash Equivalents	99	3,429

##### 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£,000	£,000
Short Term Investments	27,441	(5,577)
Cash and Cash Equivalents	223	5,577



## Explanatory Foreword (*continued*)

### The Accounting Statements

The accounting statements and their location in this document are listed on page 1. Their nature and purpose are described in the introductory paragraph on the relevant page. Key features for this year of account are as follows:

The *Comprehensive Income and Expenditure Statement* shows income and expenditure on all Council services (including Council Housing), transactions of a corporate nature including financing transactions (general government grants, redistributed business rates and Council tax), revaluation gains and losses on fixed assets, and actuarial gains and losses on the Defined benefit Pension Scheme. This primary performance statement shows a deficit on provision of services (loss) for the year of £45.9 million. The principal cause of this was the charges for losses on revaluation of property assets, notably council dwellings (£56.2 million). These charges, and others relating to fixed assets and pensions, are not proper charges against the General Fund or HRA balances, and are required to be reversed out of the statements. When this is allowed for, the General Fund and HRA balances, which form part of the Council's usable reserves, increased by £625,000 and £207,000 respectively.

The *Movement in Reserves Statement* shows changes in the Council's reserves for the year, and essentially reconciles the Comprehensive Income and Expenditure Statement with those items which may not fall to be charged to the General Fund under statute, and those which do fall to be met from the General Fund also under statute. It is here that the large movements relating to property revaluations are disclosed.

The *Balance Sheet* discloses the Council's assets, liabilities, balances and reserves as at the year end, excluding any internal balances. The change in balances between March 2010 and March 2011 reflects the large movements due to the effects of property revaluations and the significant reduction in the pensions liability.

The *Cash Flow Statement* summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Supplementary financial statements are also listed on page 1. Their nature and purpose is as follows:

The *Housing Revenue Account* shows income and expenditure on the management, maintenance and supervision of council housing. Separate disclosure of the accounts related to this service is required by statute. There is also the *Movement on the HRA Statement* analogous to the Movement in Reserves Statement. These statements are a subset of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

The *Collection Fund Statement* is a separate statutory account containing transactions related to Council Tax, business rates, and precept payments to West Sussex County Council and the Sussex Police Authority. Arun District Council's own taxation requirement is also transferred from the Collection Fund. Collection Fund transactions are not included in the Comprehensive Income and Expenditure Statement.

*Further information on the accounts is available from the Head of Finance, Arun Civic Centre, Maltravers Road, Littlehampton.*

## Statement of Responsibilities

### The Authority's Responsibilities

The authority is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

### The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the Head of Finance has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the local authority Code.

The Head of Finance has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of Head of Finance and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.



Alan Peach C.P.F.A., Head of Finance

Dated 30 June 2011

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £,000	Earmarked General Fund Reserves £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total Authority Reserves £,000
<b>Balance at 31 March 2009</b>	<b>8,488</b>	<b>9,209</b>	<b>4,160</b>	<b>3,510</b>	<b>834</b>	<b>135</b>	<b>26,336</b>	<b>251,131</b>	<b>277,467</b>
<b>Movement in reserves during 2009/10:</b>									
Surplus or (deficit) on the provision of services	(4,312)	-	120	-	-	-	(4,192)	-	(4,192)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(6,155)	(6,155)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(4,312)</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,192)</b>	<b>(6,155)</b>	<b>(10,347)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,360	-	(434)	2,286	(834)	481	5,859	(5,859)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>48</b>	<b>-</b>	<b>(314)</b>	<b>2,286</b>	<b>(834)</b>	<b>481</b>	<b>1,667</b>	<b>(12,014)</b>	<b>(10,347)</b>
Transfers to/from Earmarked Earmarked Reserves (Note 7)	629	(630)	-	-	-	-	(1)	-	(1)
<b>Increase/Decrease in 2009/10</b>	<b>677</b>	<b>(630)</b>	<b>(314)</b>	<b>2,286</b>	<b>(834)</b>	<b>481</b>	<b>1,666</b>	<b>(12,014)</b>	<b>(10,348)</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>9,165</b>	<b>8,579</b>	<b>3,846</b>	<b>5,796</b>	<b>-</b>	<b>616</b>	<b>28,002</b>	<b>239,117</b>	<b>267,119</b>

## Movement in Reserves Statement (continued)

	General Fund Balance £,000	Earmarked General Fund Reserves £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total Authority Reserves £,000
<b>Balance at 31 March 2010</b>	<b>9,165</b>	<b>8,579</b>	<b>3,846</b>	<b>5,796</b>	<b>-</b>	<b>616</b>	<b>28,002</b>	<b>239,117</b>	<b>267,119</b>
<b>Movement in reserves during 2010/11</b>									
Surplus or (deficit) on the provision of services	9,258	-	(55,137)	-	-	-	(45,879)	-	(45,879)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(10,531)	(10,531)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>9,258</b>	<b>-</b>	<b>(55,137)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,879)</b>	<b>(10,531)</b>	<b>(56,410)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(8,424)	-	55,343	(435)	278	(570)	46,192	(46,192)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>834</b>	<b>-</b>	<b>206</b>	<b>(435)</b>	<b>278</b>	<b>(570)</b>	<b>313</b>	<b>(56,723)</b>	<b>(56,410)</b>
Transfers to/from Earmarked Reserves (Note 7)	(208)	208	-	-	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>626</b>	<b>208</b>	<b>206</b>	<b>(435)</b>	<b>278</b>	<b>(570)</b>	<b>313</b>	<b>(56,723)</b>	<b>(56,410)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>9,791</b>	<b>8,787</b>	<b>4,052</b>	<b>5,361</b>	<b>278</b>	<b>46</b>	<b>28,315</b>	<b>182,394</b>	<b>210,709</b>

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000	£,000	£,000		£,000	£,000	£,000
15,311	13,410	1,901	Central services to the public	15,599	13,906	1,693
7,778	1,394	6,384	Cultural and Related Services	5,753	1,003	4,750
10,101	2,118	7,983	Environment and Regulatory Services	9,977	2,399	7,578
5,052	1,516	3,536	Planning Services	4,887	2,248	2,639
3,249	1,912	1,337	Highways and transport services	2,993	2,308	685
14,162	14,237	(75)	Local authority housing (HRA)	69,781	14,357	55,424
46,478	44,480	1,998	Other housing services	49,054	47,205	1,849
2,613	-	2,613	Corporate and democratic core	2,451	-	2,451
70	-	70	Non distributed costs / gains	-	11,030	(11,030)
<b>104,814</b>	<b>79,067</b>	<b>25,747</b>	<b>Cost of Services</b>	<b>160,495</b>	<b>94,456</b>	<b>66,039</b>
4,053	2,583	1,470	Other operating expenditure (Note 8)	5,248	889	4,359
3,261	1,816	1,445	Financing and investment income and expenditure (Note 9)	933	960	(27)
-	24,470	(24,470)	Taxation and non-specific grant income (Note 10)	-	24,492	(24,492)
<b>112,128</b>	<b>107,936</b>	<b>4,192</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>166,676</b>	<b>120,797</b>	<b>45,879</b>
-	19,734	(19,734)	Surplus or deficit on revaluation of Property, Plant & Equipment assets	34,630		34,630
25,889	-	25,889	Actuarial gains/losses on pension assets / liabilities	-	24,099	(24,099)
<b>25,889</b>	<b>19,734</b>	<b>6,155</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>34,630</b>	<b>24,099</b>	<b>10,531</b>
<b>138,017</b>	<b>127,670</b>	<b>10,347</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>201,306</b>	<b>144,896</b>	<b>56,410</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves contains those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £,000	31 March 2010 £,000		Notes	31 March 2011 £,000
275,394	291,182	Property, Plant and Equipment	11	199,099
3,914	2,591	Investment Property	12	2,936
723	562	Intangible Assets	13	503
192	192	Assets Held for Sale	18	240
7,435	3,000	Long Term Investments	14	5,025
149	177	Long Term Debtors	14	156
<b>287,807</b>	<b>297,704</b>	<b>Long Term Assets</b>		<b>207,959</b>
20,598	21,863	Short Term Investments	14	24,207
60	54	Inventories	15	29
5,485	8,230	Short Term Debtors	16	6,125
3,527	5,801	Cash and Cash Equivalents	17	2,308
<b>29,670</b>	<b>35,948</b>	<b>Current Assets</b>		<b>32,669</b>
-	-	Cash and Cash Equivalents		-
8,664	8,048	Short Term Creditors	19	6,798
-	675	Provisions	20	161
<b>8,664</b>	<b>8,723</b>	<b>Current Liabilities</b>		<b>6,959</b>
-	-	Long Term Creditors	14	-
-	60	Provisions	20	-
-	-	Long Term Borrowing		-
	57,750	Pensions Liabilities	37	22,960
31,200	-	Other Long Term Liabilities		-
-	-	Capital Grants Receipts in Advance		-
<b>31,200</b>	<b>57,810</b>	<b>Long Term Liabilities</b>		<b>22,960</b>
<b>277,613</b>	<b>267,119</b>	<b>Net Assets</b>		<b>210,709</b>
26,335	28,002	Usable Reserves	21	28,315
251,278	239,117	Unusable Reserves	22	182,394
<b>277,613</b>	<b>267,119</b>	<b>Total Reserves</b>		<b>210,709</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority, although the Council is currently debt-free.

2009/10 £,000		2010/11 £,000
(4,192)	Net surplus or (deficit) on the provision of services	(45,879)
12,620	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50,452
(3,223)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(790)
<b>5,205</b>	<b>Net cash flows from Operating Activities (Note 23)</b>	<b>3,783</b>
(877)	Investing Activities (Note 24)	(8,494)
(2,054)	Financing Activities (Note 25)	1,218
<b>2,274</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(3,493)</b>
3,527	Cash and cash equivalents at the beginning of the reporting period	5,801
<b>5,801</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,308</b>

## Notes to the Accounts

### 1. Accounting Policies

#### ***i. General Principles***

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* and the *Service Reporting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### ***ii. Accruals of Expenditure and Income***

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- ◆ Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ◆ Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- ◆ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet, subject to considerations of materiality.
- ◆ Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made, subject to considerations of materiality.
- ◆ Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- ◆ Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### ***iii. Cash and Cash Equivalents***

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.



## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***iv. Exceptional Items***

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### ***v. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors***

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### ***vi. Charges to Revenue for Non-Current Assets***

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- ◆ depreciation attributable to the assets used by the relevant service
- ◆ revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- ◆ amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, if there were any borrowing, it would be required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations would therefore then be replaced by the contribution in the General Fund Balance for MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. As this Council is currently debt-free, there is no requirement for MRP.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### **vii. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

##### **Post Employment Benefits**

Employees of the Council are members of The Local Government Pensions Scheme, administered by West Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

##### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- ◆ The liabilities of the West Sussex County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- ◆ Liabilities are discounted to their value at current prices using a discount rate of 5.5% - equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### *vii. Employee Benefits (continued)*

##### **The Local Government Pension Scheme (*continued*)**

- ◆ The assets of the West Sussex County Council Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- ◆ The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the West Sussex County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- ◆ In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

##### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***viii. Events After the Balance Sheet Date***

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- ◆ those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- ◆ those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### ***ix. Financial Instruments***

##### **Financial Liabilities**

Financial liabilities comprise trade payables, borrowings and financial guarantees. Being “debt-free”, with no long or short-term debt, the Council has no borrowings. Where premiums and discounts in respect of early repayment of debt have been charged to the Comprehensive Income and Expenditure Statement (CIES), the Council is required to spread the loss over the term that was remaining on the loans against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the Housing Revenue Account Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Trade payables (amounts due to contractors and suppliers) are recognised in the accounts when contractual obligations are incurred in relation to exchange of goods and services, rather than when receipts or payments pass from one party to another. The trade payables are accounted for at amortised cost taken as being equivalent to the carrying amount on initial recognition (i.e. the transaction amount).

The financial guarantees given by the Council are not recognised in the Balance Sheet, but are disclosed in note 38.

##### **Financial Assets**

Financial assets are classified into two types:

- ◆ loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- ◆ available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. *The Council currently has no assets of this type.*

##### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Although the Council has advanced a soft loan to Inspire Leisure (£100,000) at zero percent interest, this is included in the accounts at its nominal value rather than fair value on the grounds that the difference is not material.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***x. Government Grants and Contributions***

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- ◆ the Council will comply with the conditions attached to the payments, and
- ◆ the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grantor contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### ***xi. Intangible Assets***

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***xii. Inventories and Long Term Contracts***

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### ***xiii. Investment Property***

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### ***xiv. Leases***

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority as Lessee**

##### **Finance Leases**

The Council has no leases currently determined as finance leases

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services which benefit from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, which matches the pattern of payments in all cases.

#### **The Authority as Lessor**

##### **Finance Leases**

The Council has no leases currently determined as finance leases

##### **Operating Leases**

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Surplus or deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of payments in all cases.



## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***xv. Overheads and Support Services***

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- ◆ Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- ◆ Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### ***xvi. Property, Plant and Equipment***

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

##### **Measurement**

Assets are initially measured at cost, comprising:

- ◆ the purchase price
- ◆ any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- ◆ infrastructure, community assets and assets under construction – depreciated historical cost
- ◆ dwellings – fair value, determined using the basis of existing use value for social housing(EUV-SH)
- ◆ all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### *xvi. Property, Plant and Equipment (continued)*

##### **Measurement (continued)**

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- ◆ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- ◆ where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

##### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- ◆ where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- ◆ where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

##### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).



## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### *xvi. Property, Plant and Equipment (continued)*

##### **Depreciation (continued)**

Depreciation is calculated on the following bases:

- ◆ dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- ◆ vehicles, plant, furniture and equipment – generally straight-line allocation over five years
- ◆ infrastructure - straight-line allocation over 10 - 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Significance for this purpose is taken to be 20% of the gross value of individual assets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

##### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***xvii. Provisions, Contingent Liabilities and Contingent Assets***

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

##### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

##### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### ***xviii. Reserves***

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## Notes to the Accounts

### 1. Accounting Policies (*continued*)

#### ***xix. Revenue Expenditure Funded from Capital under Statute***

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### ***xx. Value Added Tax (VAT)***

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## Notes to the Accounts

### 2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- ◆ There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- ◆ Transactions related to leases form a fairly insignificant part of the Council's total income and expenditure. However, there is a requirement to assess whether leases are finance or operating leases. In making this assessment, officers have taken into account guidance from professional bodies such as CIPFA, the views of consultants, other local authorities and counter-parties to the leases. The conclusion of these deliberations is that all current leases are operating leases.
- ◆ Under IFRIC4, the Council is required to determine whether any contractual arrangements have the substance of a lease. Officers have considered and obtained advice upon the vehicles and plant used in the combined cleansing contract, the grounds maintenance contract, and the housing repairs and maintenance contracts. In all cases, it has been judged that these arrangements do not constitute any form of lease.
- ◆ The IFRS Code requires separate classification and disclosure of investment properties in accordance with strict criteria. Officers compiled lists of appropriate properties for consideration by the Asset management Working Group, which in due course approved a list of properties to be considered as investment properties.
- ◆ In the course of providing its services, the Council has dealings with many entities. However, after due consideration by officers, it has been determined that none of these entities are controlled by the Council. Particular attention has been paid to the Littlehampton Harbour Board, Inspire Leisure and Age Concern West Sussex.
- ◆ Each year, as part of the process of preparing the annual accounts, senior finance staff consider whether there are any possible losses to be accounted for, and if so determine whether a provision or contingent liability note is required. Guidance published by CIPFA is used as part of this judgement.

## Notes to the Accounts

### 3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<i>Item</i>	<i>Uncertainties</i>	<i>Effect if actual results differ from assumptions</i>
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £78,000 for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £8.8million.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £11.7million as a result of estimates being corrected as a result of experience and decreased by a further £22.1 million attributable to updating of the assumptions.</p>

## Notes to the Accounts

### 4. Material items of income and expense

#### Revaluation of property:

- ◆ The council dwellings were revalued taking into account the latest valuation guidance from the DCLG. A significant change is a reduction in the Social Housing Discount Factor from 45% to 32%. This has resulted in a reduction in the carrying value of the dwellings of approximately £59 million. A further reduction of £37 million resulted from changes in market values since April 2005 by comparison with annual adjustments by reference to market indices.
- ◆ Properties other than council dwellings were revalued taking into account as at April 2010, and reviewed as at March 2011. This resulted in net gains in value of approximately £5 million.

#### Pensions liability

- ◆ Changes in assumptions made by the Fund Actuary (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection in the 2010 funding valuation of structural changes to the LGPS in 2008) resulted in gains of approximately £24 million with a consequent reduction in the pensions liability. This has been treated as Other Comprehensive Income in the Comprehensive Income and Expenditure Statement.
- ◆ The pension increase assumption for this year is in line with the Consumer Prices Index rather than the Retail Prices Index. This has resulted in a gain of approximately £11 million treated by the Actuary as a past service credit, and consequently disclosed as income in the Cost of Services part of the Comprehensive Income and Expenditure Statement.
- ◆ *It is important to appreciate that whilst the above items are material in terms of financial reporting, statutory regulations preclude any impact on the Council's usable reserves. Instead, the transactions are reversed out to specially constituted unusable reserves, namely the Pensions Reserve, the Revaluation Reserve, and the Capital Adjustment Account.*

### 5. Events after the balance sheet date

There are no significant events after the balance sheet date which necessitate any adjustment to the accounts for 2010/11.

## Notes to the Accounts

### 6. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	1,832	2,144	-	-	-	(3,976)
Revaluation losses on Property, Plant & Equipment	459	56,509	-	-	-	(56,968)
Movements in the market value of Investment Properties	(509)	-	-	-	-	509
Amortisation of intangible assets	168	13	-	-	-	(181)
Capital grants and contributions applied	(906)	-	-	-	-	906
Revenue expenditure funded from capital under statute	1,593	-	-	-	-	(1,593)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	818	285	-	-	-	(1,103)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund and HRA balances	(915)	(111)	-	-	-	1,026
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(565)	-	-	-	485	80
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,056)	1,056
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(101)	(599)	700	-	-	-

## Notes to the Accounts

6. Adjustments between accounting basis and funding basis under regulations (*continued*)

2010/11	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(887)	-	-	887
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	348	-	(348)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	2	-	-	(2)
Transfer from Housing Revenue Account re income from unattached capital receipts	-	(99)	99	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account	-	(2,517)	-	2,517	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,239)	-	2,239
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(113)	-	-	-	113
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,722)	372	-	-	-	7,350
Employer's pension contributions and direct payments to pensioners payable in year	(2,801)	(540)	-	-	-	3,341
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(111)	-	-	-	-	111
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)	-	-	-	-	13
<b>Total Adjustments</b>	<b>(8,425)</b>	<b>55,344</b>	<b>(434)</b>	<b>278</b>	<b>(571)</b>	<b>(46,192)</b>



## Notes to the Accounts

6. Adjustments between accounting basis and funding basis under regulations (*continued*)

2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	1,867	2,676	-	-	-	(4,543)
Revaluation losses on Property, Plant & Equipment	3,270	-	-	-	-	(3,270)
Movements in the market value of Investment Properties	897	-	-	-	-	(897)
Amortisation of intangible assets	243	10	-	-	-	(253)
Capital grants and contributions applied	(562)	-	-	-	-	562
Revenue expenditure funded from capital under statute	1,158	-	-	-	-	(1,158)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	428	363	-	-	-	(791)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund and HRA balances	(280)	(57)	-	-	-	337
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(957)	-	-	-	957	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(476)	476
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,845)	(366)	3,211	-	-	-

## Notes to the Accounts

6. Adjustments between accounting basis and funding basis under regulations (*continued*)

2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £,000	Housing Revenue Account £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Movement in Unusable Reserves £,000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(796)	-	-	796
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	284	-	(284)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	4	-	-	(4)
Transfer from Housing Revenue Account re income from unattached capital receipts	-	(151)	151	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the Housing Revenue Account	-	(2,477)	-	2,477	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(3,311)	-	3,311
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(128)	-	-	-	128
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,582	248	-	-	-	(3,830)
Employer's pension contributions and direct payments to pensioners payable in year	(2,618)	(551)	-	-	-	3,169
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(105)	-	-	-	-	105
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	-	-	-	-	3
<b>Total Adjustments</b>	<b>4,359</b>	<b>(433)</b>	<b>2,286</b>	<b>(834)</b>	<b>481</b>	<b>(5,859)</b>

## Notes to the Accounts

### 7. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11

	Balance at 1 April 2009 £,000	Transfers out 2009/10 £,000	Transfers in 2009/10 £,000	Balance at 31 Mar 2010 £,000	Transfers out 2010/11 £,000	Transfers in 2010/11 £,000	Balance at 31 Mar 2011 £,000
Delayed capital projects	1,292	(1,292)	1,436	1,436	(1,436)	1,222	1,222
Tourism issues	-	-	8	8	(8)	13	13
Delayed revenue projects	-	-	30	30	(30)	13	13
Clean and safe issues	268	(90)	-	178	-	19	197
Litter and dog bins	-	-	80	80	(55)	-	25
Community safety issues	58	-	-	58	-	-	58
Arundel "Big Picture" projects	149	-	-	149	-	236	385
Census-related work	-	-	-	-	-	25	25
Homelessness issues	-	-	35	35	(11)	71	95
Special benefit administration grant	59	(33)	28	54	(34)	138	158
Planning issues	25	-	56	81	(62)	261	280
Planning Delivery Grant	35	-	45	80	(14)	-	66
Homelessness bonds claims	-	-	22	22	-	19	41
Regeneration	21	(5)	-	16	-	-	16
Pay and reward issues	-	-	60	60	-	-	60
Pension deficit financing	3,772	-	-	3,772	-	-	3,772
Risk management issues	22	-	-	22	-	-	22
Fitzleet car park liabilities	13	-	-	13	-	-	13
Management restructuring costs	12	(12)	-	-	-	-	-
H R issues	-	-	-	-	-	43	43
Committed grant aid	19	(2)	-	17	(13)	11	15
Cleansing contract compensation	1,812	(604)	-	1,208	(604)	-	604
LABGI funded projects	759	(419)	72	412	(168)	-	244
Leisure Trust costs	39	(19)	-	20	-	-	20
Concessionary travel cost claims	460	(6)	-	454	-	51	505
Contribution "The Brooks"	1	-	-	1	-	-	1
Environmental health issues	90	(20)	27	97	(14)	35	118
Elections issues	12	(3)	-	9	(9)	-	-
Public seats contributions	4	-	11	15	(1)	-	14
Travellers issues	8	-	-	8	-	-	8
Arun Lifeline issues	2	(1)	-	1	(1)	35	35
Safeguarding children	-	-	-	-	-	167	167
Parks Reserve	-	-	-	-	-	2	2
Play Rangers	-	-	-	-	(3)	18	15
Littlehampton Bench	-	-	-	-	-	11	11
Civil Parking Enforcement	-	-	-	-	-	32	32
Chairman's civic allowance	2	-	2	4	(4)	2	2
Prior years service bids	275	(70)	-	205	(145)	-	60
New initiatives & partnership funding	-	-	-	-	-	408	408
Redundancy and redeployment costs	-	-	34	34	(12)	-	22
<b>Total</b>	<b>9,209</b>	<b>(2,576)</b>	<b>1,946</b>	<b>8,579</b>	<b>(2,624)</b>	<b>2,832</b>	<b>8,787</b>

## Notes to the Accounts

### 8. Other Operating Expenditure

2009/10 £,000		2010/11 £,000
3,457	Parish council precepts	3,537
313	Levies	260
283	Payments to the Government Housing Capital Receipts Pool	348
(2,432)	(Gains) / losses on the disposal of non-current assets	313
(151)	Income from unattached capital receipts	(99)
<b>1,470</b>	<b>Total</b>	<b>4,359</b>

### 9. Financing and Investment Income and Expenditure

2009/10 £,000		2010/11 £,000
2	Interest payable and similar charges	1
2,360	Pensions interest cost and expected return on pensions assets	1,400
(1,617)	Interest receivable and similar income	(739)
700	Income and expenditure in relation to investment properties and changes in their fair value	(689)
<b>1,445</b>	<b>Total</b>	<b>(27)</b>

### 10. Taxation and Non Specific Grant Income

2009/10 £,000		2010/11 £,000
(13,089)	Council tax income	(13,472)
(8,245)	Non domestic rates	(8,999)
(2,179)	Non-ringfenced government grants	(1,456)
(957)	Capital grants and contributions	(565)
<b>(24,470)</b>	<b>Total</b>	<b>(24,492)</b>

## Notes to the Accounts

### 11. Property, Plant and Equipment

#### Movements on Balances

##### Movements in 2010/11

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipme £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Total £,000
<b>Cost or Valuation</b>							
at 1 April 2010	241,773	40,934	3,431	11,919	2,210	-	<b>300,267</b>
additions	2,316	969	510	535	44	-	<b>4,374</b>
donations	-	79	-	-	-	-	<b>79</b>
revaluation increases/(decreases) recognised in the Revaluation reserve	(41,679)	6,885	-	-	-	(106)	<b>(34,900)</b>
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(56,210)	(2,504)	(385)	-	-	(513)	<b>(59,612)</b>
derecognition - disposals	-	(628)	(336)	(13)	-	-	<b>(977)</b>
assets reclassified (to)/from Held for Sale	(328)		(109)				<b>(437)</b>
other movements in cost or valuation	(728)	(761)		112	(258)	1,736	<b>101</b>
<b>at 31 March 2011</b>	<b>145,144</b>	<b>44,974</b>	<b>3,111</b>	<b>12,553</b>	<b>1,996</b>	<b>1,117</b>	<b>208,895</b>
<b>Accumulated Depreciation and Impairment</b>							
at April 2010	-	(1,184)	(2,035)	(5,866)	-	-	<b>(9,085)</b>
depreciation charge	(2,086)	(854)	(454)	(498)	-	(21)	<b>(3,913)</b>
depreciation written out to the Revaluation Reserve		860				10	<b>870</b>
						18	<b>18</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,086	274	258				<b>2,618</b>
impairment losses/(reversals) recognised in the Revaluation Reserve		(600)					<b>(600)</b>
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services		(55)					<b>(55)</b>
derecognition - disposals	-	4	336	12	-	-	<b>352</b>
other movements in depreciation and impairment		38		(11)		(28)	<b>(1)</b>
<b>at 31 March 2011</b>	<b>-</b>	<b>(1,517)</b>	<b>(1,895)</b>	<b>(6,363)</b>	<b>-</b>	<b>(21)</b>	<b>(9,796)</b>
<b>Net Book Value</b>							
<b>at 31 March 2011</b>	<b>145,144</b>	<b>43,457</b>	<b>1,216</b>	<b>6,190</b>	<b>1,996</b>	<b>1,096</b>	<b>199,099</b>
<b>at 31 March 2010</b>	<b>241,773</b>	<b>39,750</b>	<b>1,396</b>	<b>6,053</b>	<b>2,210</b>	<b>-</b>	<b>291,182</b>

## Notes to the Accounts

### 11. Property, Plant and Equipment (*continued*)

#### Movements on Balances (*continued*)

##### Comparative Movements in 2009/10

	Council Dwellings £,000	Other Land and Buildings £,000	Vehicles, Plant & Equipme £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Total £,000
<b>Cost or Valuation</b>							
at 1 April 2009	238,240	31,484	3,996	12,141	4,250	-	<b>290,111</b>
additions	3,543	83	160	178	268	-	<b>4,232</b>
revaluation increases/(decreases) recognised in the Revaluation Reserve	5,746	6,020	-	-	-	-	<b>11,766</b>
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(4,250)	-	-	(37)	-	<b>(4,287)</b>
derecognition - disposals	-	(12)	(812)	(370)	-	-	<b>(1,194)</b>
assets reclassified (to)/from Held for Sale	(360)						<b>(360)</b>
other movements in cost or valuation	(5,396)	7,609	87	(30)	(2,271)	-	<b>(1)</b>
<b>at 31 March 2010</b>	<b>241,773</b>	<b>40,934</b>	<b>3,431</b>	<b>11,919</b>	<b>2,210</b>	<b>-</b>	<b>300,267</b>
<b>Accumulated Depreciation and Impairment</b>							
at April 2009	(3,036)	(3,175)	(2,101)	(5,759)	(646)	-	<b>(14,717)</b>
depreciation charge	(2,556)	(877)	(562)	(486)	-	-	<b>(4,481)</b>
depreciation written out to the Revaluation Reserve	5,441	2,439					<b>7,880</b>
depreciation written out to the Surplus/ Deficit on the Provision of Services		924			127		<b>1,051</b>
impairment losses/(reversals) recognised in the Revaluation Reserve		(1)					<b>(1)</b>
impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of services		(6)					<b>(6)</b>
derecognition - disposals	-	1	810	370	-	-	<b>1,181</b>
other movements in depreciation and impairment	151	(489)	(182)	9	519		<b>8</b>
<b>at 31 March 2010</b>	<b>-</b>	<b>(1,184)</b>	<b>(2,035)</b>	<b>(5,866)</b>	<b>-</b>	<b>-</b>	<b>(9,085)</b>
<b>Net Book Value</b>							
<b>at 31 March 2010</b>	<b>241,773</b>	<b>39,750</b>	<b>1,396</b>	<b>6,053</b>	<b>2,210</b>	<b>-</b>	<b>291,182</b>
<b>at 31 March 2009</b>	<b>235,204</b>	<b>28,309</b>	<b>1,895</b>	<b>6,382</b>	<b>3,604</b>	<b>-</b>	<b>275,394</b>

## Notes to the Accounts

### 11. Property, Plant and Equipment (*continued*)

#### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- ◆ Council Dwellings: 60 years
- ◆ Other Land and Buildings: generally 35 years
- ◆ Vehicles, Plant and Equipment: generally 5 years
- ◆ Infrastructure: 20 - 40 years

#### Capital Commitments

At 31 March 2011, the Council had no substantial contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years. Similar commitments at 31 March 2010 were £810,000.

#### Effects of changes in estimates

There were no material changes in the accounting estimates used for the calculation of depreciation or impairment for the year.

#### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Formal valuations of vehicles, plant, furniture and equipment are not carried out, as such items are carried at historical cost as a proxy for fair value.

*Significant assumptions applied in estimating fair value are:*

- ◆ that using beacon values for council dwellings represents a fair measure of the values to be used for the entire stock.
- ◆ that the Council has made arrangements for the adequate maintenance and repair of its properties.
- ◆ that historical cost is a reasonable proxy for the fair value of plant, equipment and intangibles.
- ◆ that there are no planning proposals that are likely to have an effect on the value of properties.
- ◆ that any plant and machinery forming part of a property is included in the valuation.

	<i>Council Dwellings</i>	<i>Other land &amp; buildings</i>	<i>Vehicles, plant and Equipment</i>	<i>Surplus Assets</i>	<b>Total</b>
	£,000	£,000	£,000	£,000	<b>£,000</b>
<i>Carried at historical cost:</i>			1,216		<b>1,216</b>
<i>Valued at fair value as at:</i>					
31 March 2011	145,144	590			<b>145,734</b>
31 March 2010		42,867		1,096	<b>43,963</b>
<b>Total</b>	<b>145,144</b>	<b>43,457</b>	<b>1,216</b>	<b>1,096</b>	<b>190,913</b>

## Notes to the Accounts

### 12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11 £,000	2009/10 £,000
Rental income from investment property	204	199
Direct operating expenses arising from investment property	(24)	(2)
Change in fair value of investment property	509	(897)
<b>Net gain / (loss)</b>	<b>689</b>	<b>(700)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £,000	2009/10 £,000
Balance at start of the year	2,591	3,914
Net gains/losses from fair value adjustments	509	(897)
Other changes	(164)	(426)
<b>Balance at end of the year</b>	<b>2,936</b>	<b>2,591</b>

### 13. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate solely to purchased software licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all software licences is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £182,000 charged to revenue in 2010/11 was charged to the Corporate IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 £,000	2009/10 £,000
Balance at start of the year:		
◆ Gross carrying amounts	1,677	1,884
◆ Accumulated amortisation	(1,115)	(1,161)
Net carrying amount at start of year	562	723
Additions: purchases	148	92
Derecognition: assets no longer in use	(25)	-
Amortisation for the period	(182)	(253)
<b>Net carrying amount at end of year</b>	<b>503</b>	<b>562</b>
Comprising:		
◆ Gross carrying amounts	1,185	1,677
◆ Accumulated amortisation	(682)	(1,115)
	<b>503</b>	<b>562</b>



## Notes to the Accounts

### 14. Financial Instruments

#### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	<i>Long-term</i>		<i>Current</i>	
	<i>31 March 2011 £,000</i>	<i>31 March 2010 £,000</i>	<i>31 March 2011 £,000</i>	<i>31 March 2010 £,000</i>
<b>Investments</b> (all loans and receivables)	5,025	3,000	26,262	27,441
<b>Debtors</b>				
Loans and receivables	156	177	-	-
Financial assets carried at contract amounts	-	-	1,161	1,234
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amounts	-	-	2,050	1,741

#### Income, Expense, Gains and Losses

	<i>2010/11 £,000</i>	<i>2009/10 £,000</i>
Interest on loans and receivables	(739)	(1,617)
Interest expense - financial liabilities	-	2

#### Fair value of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ◆ estimated ranges of interest rates at 31 March 2011 of 0.05% to 3% for loans receivable, based on new lending rates for equivalent loans at that date
- ◆ no early repayment or impairment is recognised
- ◆ where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- ◆ the fair value of trade and other receivables is taken to be the invoiced or billed

The fair values calculated are as follows:

	<i>31 March 2011</i>		<i>31 March 2010</i>	
	<i>Carrying amount £,000</i>	<i>Fair value £,000</i>	<i>Carrying amount £,000</i>	<i>Fair value £,000</i>
Financial liabilities	-	-	-	-
Long-term creditors	-	-	-	-
Loans and receivables	31,287	31,401	30,441	30,603
Long-term debtors	156	156	177	177

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## Notes to the Accounts

### 15. Inventories

	<i>Consumable stores</i>		<i>Goods for sale</i>		<i>Total</i>	
	<i>2010/11</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2009/10</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
<b>Balance outstanding at start of year</b>	<b>44</b>	<b>47</b>	<b>10</b>	<b>13</b>	<b>54</b>	<b>60</b>
Purchases	109	180	-	5	109	185
Recognised as an expense in the year	(130)	(183)	(1)	(8)	(131)	(191)
Written off balances	(3)	-	-	-	(3)	-
<b>Balance outstanding at year-end</b>	<b>20</b>	<b>44</b>	<b>9</b>	<b>10</b>	<b>29</b>	<b>54</b>

### 16. Debtors

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£,000</i>	<i>£,000</i>
Central government bodies	3,559	6,023
Other local authorities	36	19
NHS bodies	-	2
Housing rents:		
Arrears	293	359
Provision for doubtful debts	(95)	(110)
Council taxpayers (Arun District Council share only):		
Arrears	833	809
Provision for doubtful debts	(305)	(305)
Housing Benefit overpayments:		
Arrears	1,856	1,717
Provision for doubtful debts	(1,566)	(1,451)
Customers and clients:		
Arrears	1,117	1,036
Provision for doubtful debts	(354)	(373)
Payments in advance	751	504
<b>Total</b>	<b>6,125</b>	<b>8,230</b>

### 17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£,000</i>	<i>£,000</i>
Cash held by the Council and its agents	308	122
Bank current accounts	(56)	101
Short-term deposits with banks and building societies	2,056	5,578
<b>Total</b>	<b>2,308</b>	<b>5,801</b>

## Notes to the Accounts

### 18. Non-Current Asset Held for Sale

	2010/11 £,000	2009/10 £,000
<b>Balance outstanding at start of year</b>	<b>192</b>	<b>192</b>
Asset newly classified as held for sale, formerly Property, Plant and equipment	437	351
Assets sold	(389)	(351)
<b>Balance outstanding at year-end</b>	<b>240</b>	<b>192</b>

### 19. Creditors

	31 March 2011 £,000	31 March 2010 £,000
Central government bodies	427	591
Other local authorities	1,626	1,300
NHS bodies	-	-
Housing rents	114	114
Council taxpayers (Arun District Council share only)	146	145
Employees	167	219
Contractors and suppliers	2,719	2,698
s.106 Town & Country Planning Act 1990 contributions	1,125	1,436
Other deposits and receipts in advance	474	1,545
<b>Total</b>	<b>6,798</b>	<b>8,048</b>

### 20. Provisions

	Redundancy costs £,000
Balance at 1 April 2010	735
Additional provisions made in 2010/11	19
Amounts used in 2010/11	(593)
Unused amounts reversed in 2010/11	-
<b>Balance at 31 March 2011</b>	<b>161</b>

### 21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

## Notes to the Accounts

### 22. Unusable Reserves

31 March 2010 £,000		31 March 2011 £,000
51,933	Revaluation Reserve	16,796
245,328	Capital Adjustment Account	188,716
(379)	Financial Instruments Adjustment Account	(265)
4	Deferred Capital Receipts Reserve	3
(57,750)	Pensions Reserve	(22,960)
124	Collection Fund Adjustment Account	234
(143)	Accumulated Absences Account	(130)
<b>239,117</b>	<b>Total Unusable Reserves</b>	<b>182,394</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- ◆ revalued downwards or impaired and the gains are lost
- ◆ used in the provision of services and the gains are consumed through depreciation, or
- ◆ disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £,000		2010/11 £,000
<b>32,901</b>	<b>Balance at 1 April</b>	<b>51,933</b>
19,644	Upward revaluation of assets	10,966
(1)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(45,596)
<u>19,643</u>	<u>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</u>	<u>(34,630)</u>
(568)	Difference between fair value depreciation and historical cost depreciation	(374)
(43)	Accumulated gains on assets sold or scrapped	(133)
<u>(611)</u>	<u>Amount written off to the Capital Adjustment Account</u>	<u>(507)</u>
<b><u>51,933</u></b>	<b>Balance at 31 March</b>	<b><u>16,796</u></b>

## Notes to the Accounts

### 22. Unusable Reserves (*continued*)

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £,000		2010/11 £,000
<b>250,056</b>	<b>Balance at 1 April</b>	<b>245,328</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,543)	◆ Charges for depreciation and impairment of non-current assets	(3,976)
(3,179)	◆ Revaluation losses on Property, Plant and Equipment	(56,968)
(253)	◆ Amortisation of intangible assets	(182)
(1,158)	◆ Revenue expenditure funded from capital under statute	(1,593)
(791)	◆ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,103)
<hr/> (9,924)		<hr/> (63,822)
611	Adjusting amounts written out of the Revaluation Reserve	507
<hr/> (9,313)	Net written out amount of the cost of non-current assets consumed in the year	<hr/> (63,315)
	Capital financing applied in the year:	
796	◆ Use of the Capital Receipts Reserve to finance new capital expenditure	887
3,311	◆ Use of the Major Repairs Reserve to finance new capital expenditure	2,239
562	◆ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	906
476	◆ Application of grants to capital financing from the Capital Grants Unapplied Account	1,056
337	◆ Capital expenditure charged against the General Fund and HRA balances	1,026
<hr/> 5,482		<hr/> 6,114
(897)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	509
-	Donated asset credited to the Comprehensive Income and Expenditure Statement	80
<hr/> <b>245,328</b>	<b>Balance at 31 March</b>	<hr/> <b>188,716</b>

## Notes to the Accounts

### 22. Unusable Reserves (*continued*)

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Housing Revenue account Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the HRA Balance in accordance with statutory arrangements for spreading the burden on housing rents. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the HRA over the next 3 years.

2009/10 £,000		2010/11 £,000
<b>(507)</b>	<b>Balance at 1 April</b>	<b>(379)</b>
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
128	Proportion of premiums incurred in previous financial years to be charged against the HRA Balance in accordance with statutory requirements	114
<u>128</u>	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<u>114</u>
<b>(379)</b>	<b>Balance at 31 March</b>	<b>(265)</b>

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £,000		2010/11 £,000
<b>(31,200)</b>	<b>Balance at 1 April</b>	<b>(57,750)</b>
(25,889)	Actuarial gains or losses on pensions assets and liabilities	24,099
(3,830)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,350
3,169	Employer's pension contributions and direct payments to pensioners payable in the year	3,341
<u>(57,750)</u>	<b>Balance at 31 March</b>	<u>(22,960)</u>

## Notes to the Accounts

### 22. Unusable Reserves (*continued*)

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £,000		2010/11 £,000
<b>19</b>	<b>Balance at 1 April</b>	<b>124</b>
105	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	110
<b>124</b>	<b>Balance at 31 March</b>	<b>234</b>

#### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £,000		2010/11 £,000
<b>(146)</b>	<b>Balance at 1 April</b>	<b>143</b>
146	Cancellation of accrual made at the end of the preceding year	143
(143)	Amounts accrued at the end of the current year	(130)
3	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13
<b>(143)</b>	<b>Balance at 31 March</b>	<b>(130)</b>

## Notes to the Accounts

### 23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10		2010/11
£,000		£,000
1,798	Interest received	1,370
(1)	Interest paid	(1)

### 24. Cash Flow Statement - Investing Activities

2009/10		2010/11
£,000		£,000
(4,321)	Purchase of property, plant and equipment and intangible assets	(4,305)
(5,000)	Purchase of short-term and long-term investments	(5,000)
(53)	Other payments for investing activities	(106)
473	Proceeds from the sale of property, plant and equipment	790
8,000	Proceeds from short-term and long-term investments	-
24	Other receipts from investing activities	127
<b>(877)</b>	<b>Net cash flows from investing activities</b>	<b>(8,494)</b>

### 25. Cash Flow Statement - Financing Activities

2009/10		2010/11
£,000		£,000
541	Receipts relating to operation of Collection Fund	1,218
(2,595)	Payments relating to operation of Collection Fund	-
<b>(2,054)</b>	<b>Net cash flows from financing activities</b>	<b>1,218</b>



## Notes to the Accounts

### 26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- ◆ no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- ◆ expenditure on support services is budgeted for centrally and not charged to Cabinet portfolios

#### Cabinet portfolio income and expenditure 2010/11

	Central Services £,000	Community Safety £,000	Economic & Cultural Development £,000	Environment £,000	Housing & Community Care £,000	Planning £,000	Total £,000
<b>Total income</b>	<b>(59,746)</b>	<b>(988)</b>	<b>(325)</b>	<b>(3,474)</b>	<b>(2,770)</b>	<b>(1,742)</b>	<b>(69,045)</b>
Employee expenses	1,954	558	572	2,245	803	1,926	8,058
Premises	52	106	404	1,392	185	20	2,159
Transport	40	50	13	219	36	64	422
Supplies and services	430	494	405	528	3,826	1,138	6,821
Contract costs	-	34	949	4,815	325	111	6,234
Transfer payments	57,315	-	-	-	-	-	57,315
<b>Total expenditure</b>	<b>59,791</b>	<b>1,242</b>	<b>2,343</b>	<b>9,199</b>	<b>5,175</b>	<b>3,259</b>	<b>81,009</b>
<b>Net expenditure</b>	<b>45</b>	<b>254</b>	<b>2,018</b>	<b>5,725</b>	<b>2,405</b>	<b>1,517</b>	<b>11,964</b>

#### Cabinet portfolio income and expenditure 2009/10 comparative figures

	Central Services £,000	Community Safety £,000	Economic & Cultural Development £,000	Environment £,000	Housing & Community Care £,000	Planning £,000	Total £,000
<b>Total income</b>	<b>(56,360)</b>	<b>(852)</b>	<b>(797)</b>	<b>(3,254)</b>	<b>(2,314)</b>	<b>(1,403)</b>	<b>(64,980)</b>
Employee expenses	1,972	880	790	2,165	854	1,899	8,560
Premises	56	97	515	1,326	617	39	2,650
Transport	40	67	14	222	39	58	440
Supplies and services	497	470	920	360	3,347	673	6,267
Contract costs	-	7	985	4,810	337	110	6,249
Transfer payments	54,040	-	-	-	-	-	54,040
<b>Total expenditure</b>	<b>56,605</b>	<b>1,521</b>	<b>3,224</b>	<b>8,883</b>	<b>5,194</b>	<b>2,779</b>	<b>78,206</b>
<b>Net expenditure</b>	<b>245</b>	<b>669</b>	<b>2,427</b>	<b>5,629</b>	<b>2,880</b>	<b>1,376</b>	<b>13,226</b>

## Notes to the Accounts

### 26. Amounts Reported for Resource Allocation Decisions (continued)

#### Reconciliation of Cabinet Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10	2010/11
	£,000	£,000
Net expenditure in the Portfolio Analysis	13,226	11,964
Net expenditure of services not included in the analysis	(3,538)	(3,966)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	15,862	57,839
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	197	202
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>25,747</b>	<b>66,039</b>

#### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Portfolio analysis	Services not in analysis	Amounts not reported	Amounts not in CIES	Cost of services	Corporate amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(8,217)	(14,331)	(11,030)	204	(33,374)		(33,374)
Interest & investment income					-	(1,452)	(1,452)
Income from council tax					-	(13,472)	(13,472)
Government grants and contributions	(60,828)	-			(60,828)	(11,019)	(71,847)
<b>Total Income</b>	<b>(69,045)</b>	<b>(14,331)</b>	<b>(11,030)</b>	<b>204</b>	<b>(94,202)</b>	<b>(25,943)</b>	<b>(120,145)</b>
Employee expenses	8,057	1,966			10,023		10,023
Other service expenses	15,637	8,399		(2)	24,034	2	24,036
Transfer payments	57,315				57,315		57,315
Support service recharges			8,058		8,058	22	8,080
Depreciation, amortisation and impairment			60,811		60,811		60,811
Interest payments					-	1,400	1,400
Precepts and levies					-	3,797	3,797
Payments to Housing Capital					-	348	348
Receipts Pool							
Gain or loss on disposal of fixed assets					-	214	214
<b>Total expenditure</b>	<b>81,009</b>	<b>10,365</b>	<b>68,869</b>	<b>(2)</b>	<b>160,241</b>	<b>5,783</b>	<b>166,024</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,964</b>	<b>(3,966)</b>	<b>57,839</b>	<b>202</b>	<b>66,039</b>	<b>(20,160)</b>	<b>45,879</b>

## Notes to the Accounts

### 26. Amounts Reported for Resource Allocation Decisions (continued)

#### Reconciliation to Subjective Analysis (continued)

2009/10 Comparative Figures	Portfolio analysis £,000	Services not in analysis £,000	Amounts not reported £,000	Amounts not in CIES £,000	Cost of services £,000	Corporate amounts £,000	Total £,000
Fees, charges & other service income	(8,091)	(14,237)		199	(22,129)		(22,129)
Interest & Investment Income					-	(917)	(917)
Income from council tax					-	(13,090)	(13,090)
Government grants and contributions	(56,889)	4,082			(52,807)	(11,380)	(64,187)
<b>Total Income</b>	<b>(64,980)</b>	<b>(10,155)</b>	<b>-</b>	<b>199</b>	<b>(74,936)</b>	<b>(25,387)</b>	<b>(100,323)</b>
Employee expenses	8,560	2,157	70		10,787		10,787
Other service expenses	15,605	4,460		(2)	20,063		20,063
Transfer payments	54,040				54,040		54,040
Support service recharges			8,308		8,308		8,308
Depreciation, amortisation and impairment			7,485		7,485		7,485
Interest payments					-	2,361	2,361
Precepts and levies					-	3,769	3,769
Payments to Housing Capital Receipts Pool					-	284	284
Gain or loss on disposal of fixed assets					-	(2,582)	(2,582)
<b>Total expenditure</b>	<b>78,205</b>	<b>6,617</b>	<b>15,863</b>	<b>(2)</b>	<b>100,683</b>	<b>3,832</b>	<b>104,515</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,225</b>	<b>(3,538)</b>	<b>15,863</b>	<b>197</b>	<b>25,747</b>	<b>(21,555)</b>	<b>4,192</b>

### 27. Agency Services

The Council provides the following agency services:

- ◆ The "Warmfront Agency".  
Between April 2008 and March 2011 Arun received £1,016,000 of Government funding to provide "Warmfront" grants for dwellings throughout West Sussex. In 2010/11, £36,250 was received, and expenditure in respect of grants totalled £492,000 (of which £132,000 was spent within Arun District).
- ◆ Collection of business rates for DCLG. The total amount collected was £26,401,000.
- ◆ Collection of council tax for West Sussex County Council and the Sussex Police Authority. The amounts collected were £71,158,000 and £8,476,000 respectively.
- ◆ Collection of car park income for West Sussex County Council (£331,000) and other third parties (£100,000).

## Notes to the Accounts

### 28. Members' Allowances

The Council paid the following amounts to members of the council during the year:

	2010/11	2009/10
	£,000	£,000
Allowances	438	445
Expenses	16	21
<b>Total</b>	<b>454</b>	<b>466</b>

### 29. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

		Salary and allowances	Redundancy pay	Pension Contribution	Total
		£	£	£	£
Chief Executive	2010/11	122,327	-	27,253	<b>149,580</b>
	2009/10	119,430	-	27,253	<b>146,683</b>
Corporate Resources Director	2010/11	87,063	-	19,308	<b>106,371</b>
	2009/10	84,330	-	19,308	<b>103,638</b>
Services Director	2010/11	43,292	97,143	9,654	<b>150,089</b>
	2009/10	86,302	-	19,308	<b>105,610</b>
Head of Finance	2010/11	63,849	-	14,964	<b>78,813</b>
	2009/10	63,780	-	14,964	<b>78,744</b>
Head of Technology	2010/11	66,260	-	15,447	<b>81,707</b>
	2009/10	66,241	-	15,447	<b>81,688</b>
Head of Housing Management	2010/11	62,220	-	14,481	<b>76,701</b>
	2009/10	62,151	-	14,481	<b>76,632</b>
Head of Human Resources	2010/11	57,015	-	13,516	<b>70,531</b>
	2009/10	56,946	-	13,516	<b>70,462</b>
Head of Strategy & Partnership	2010/11	67,708	-	15,521	<b>83,229</b>
	2009/10	67,557	-	15,521	<b>83,078</b>
Assistant Director Planning and Housing Strategy	2010/11	69,908	-	16,412	<b>86,320</b>
	2009/10	77,842	-	16,412	<b>94,254</b>
Head of Environmental Amenities	2010/11	66,714	-	14,964	<b>81,678</b>
	2009/10	66,445	-	14,964	<b>81,409</b>

The Services Director was made redundant on 30 September 2010

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of employees	
	2010/11	2009/10
£50,000 - £54,999	5	6
£55,000 - £59,999	4	2
£60,000 - £64,999	-	1
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-

## Notes to the Accounts

### 30. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £,000	2009/10 £,000
<i>Fees payable to the Audit Commission for:</i>		
external audit services carried out by the appointed auditor	132	97
statutory inspections	-	50
certification of grant claims and returns	30	31
other services	-	-
<b>Total</b>	<b>162</b>	<b>178</b>

### 31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £,000	2009/10 £,000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Government Formula Grant	10,306	10,148
Local Area Business Growth Incentive	-	72
Area Based Grant	148	113
Other non-ringfenced grants	-	90
Capital grants and contributions	565	957
<b>Total</b>	<b>11,019</b>	<b>11,380</b>
<b>Credited to Services</b>		
Disabled Facilities Grants	514	504
Housing Benefit Subsidy	45,354	42,661
Council Tax Benefit Subsidy	12,346	11,638
Benefits Administration Subsidy	1,256	1,287
Concessionary Travel	621	413
Supporting People	517	568
Business Rate Collection	176	177
Crime Reduction	330	187
Community wellbeing	737	232
Child safety initiatives	160	-
Other	1,039	762
	<b>63,050</b>	<b>58,429</b>
<b>Total Grants, Contributions &amp; Donations</b>	<b>74,069</b>	<b>69,809</b>

## Notes to the Accounts

### 32. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 16.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 28. During 2010/11, the Council, following the recommendations of its Grants Panel, paid grants totalling £12,032 to voluntary organisations in which two members held positions of employment. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not sit on the Grants Panel, and so did not take part in any discussion or decision relating to the grants. Employment details for the members are recorded in the Register of Members' Interests, open to public inspection at the Civic Centre during office hours. On the date that the Accounts were signed by the Head of Finance, eight members had not returned a related party declaration.

#### Officers

The Council's Chief Executive has borrowed £6,860 (in 2009/10) from the Council in respect of a loan for car purchase. Repayments amounting to £3,430 were made during 2010/11.

#### Other public bodies

Precepts and levies totalling £3.8 million were paid as disclosed in Note 8.

#### Entities Controlled or Significantly Influenced by the Council

There are no entities meeting the definition of related parties.

## Notes to the Accounts

### 33. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The opening and closing CFRs for 2010/11 are the same, indicating that capital investment in the year was fully financed. The negative figure has arisen due to net excess provision for loan redemption in previous years.

	2010/11 £,000	2009/10 £,000
<i>Opening Capital Financing Requirement</i>	(2,636)	(2,636)
<i>Capital investment</i>		
Property, Plant and Equipment	4,374	4,232
Intangible Assets	148	92
Revenue Expenditure Funded from Capital under Statute	1,593	1,158
<i>Sources of finance</i>		
Capital receipts	(887)	(796)
Government grants and other contributions	(1,962)	(1,038)
Direct revenue contributions	(1,027)	(337)
Housing Major Repairs Reserve	(2,239)	(3,311)
<i>Closing Capital Financing Requirement</i>	(2,636)	(2,636)

## Notes to the Accounts

### 34. Leases

#### Council as Lessee

##### Finance Leases

The Council has no currently determined finance leases as lessee

##### Operating Leases

The Council has operating leases for: The Tamarisk Centre; Arundel Visitor Information Centre; open spaces; photocopiers; and general light vehicles.

The total future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 2011	31 Mar 2010
	£,000	£,000
Not later than one year	166	99
Later than one year and not later than five years	488	614
Later than five years	7	47
	<b>661</b>	<b>760</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement in relation to these leases in 2010/11 was £99,000 (2009/10 £75,000) representing the value of the minimum lease payments. In addition, payments of £87,000 were charged for short-term leases (three months notice) for dwellings used for homeless families accommodation (£420,000 in 2009/10). These leases had all been terminated by March 2011.

#### Council as Lessor

##### Finance Leases

The Council has no currently determined finance leases as lessor

##### Operating Leases

The Council leases out various surplus property assets under operating leases either for investment or as a temporary means of generating rental income pending future development.

The future lease payments receivable under non-cancellable leases in future years are:

	31 Mar 2011	31 Mar 2010
	£,000	£,000
Not later than one year	240	306
Later than one year and not later than five years	966	963
Later than five years	7,990	8,229
	<b>9,196</b>	<b>9,498</b>

The lease payments receivable include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Separate figures for contingent rents are not available.



## **Notes to the Accounts**

### **35. Impairment Losses**

The impairment review carried out as at 31 March 2011 has determined that there is no material impairment of assets for 2010/11.

### **36. Termination Benefits**

The Council terminated the employment contracts of a number of employees in 2009/10 and 2010/11 as part of the process of achieving required budget savings. The total liability for redundancy pay was assessed at £735,000 and provision was made for this sum in 2009/10. Payments charged to this provision in 2010/11 amounted to £593,000. Further provision of £19,000 was made in 2010/11 (see note 20)

### **37. Defined Benefit Pension Scheme**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- ◆ The Local Government Pension Scheme, administered locally by West Sussex County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- ◆ Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### **Transactions Relating to Post-employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Notes to the Accounts

37. Defined Benefit Pension Scheme (*continued*)Transactions Relating to Post-employment Benefits (*continued*)

	Local Government Pension Scheme		Discretionary Benefits arrangements	
	2010/11	2009/10	2010/11	2009/10
	£,000	£,000	£,000	£,000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
◆ current service cost	2,280	1,400		
◆ past service costs / (gains)	(11,610)	-		
◆ settlements and curtailments	580	70		
<i>Financing and Investment Income and Expenditure:</i>				
◆ interest cost	6,790	5,760		
◆ expected return on scheme assets	(5,390)	(3,400)		
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(7,350)</b>	<b>3,830</b>		-
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>				
◆ actuarial gains and losses	(23,749)	24,665	(350)	1,224
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(31,099)</b>	<b>28,495</b>	<b>(350)</b>	<b>1,224</b>
<b>Movement in Reserves Statement</b>				
◆ reversal of net charges made to the Surplus or deficit on the Provision of Services for post employment benefits in accordance with the Code	(3,460)	(3,830)		
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
◆ employer's contributions payable to scheme	2,800	2,895		
◆ retirement benefits payable to pensioners			270	274

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £8,200,000

## Notes to the Accounts

### 37. Defined Benefit Pension Scheme (*continued*)

#### Assets and liabilities in relation to post-employment benefits

##### Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<i>Funded liabilities Local Government Pension Scheme</i>		<i>Unfunded liabilities Discretionary Benefits</i>	
	<i>2010/11</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2009/10</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Opening balance at 1 April	(127,750)	(80,300)	(4,850)	(3,900)
Current service cost	(2,280)	(1,400)		
Interest cost	(6,790)	(5,760)		
Contributions by scheme participants	(750)	(800)		
Actuarial gains and losses	21,760	(42,700)	350	(1,224)
Benefits paid	3,680	3,280	270	274
Past service costs	11,610	-		
Curtailments	(580)	(70)		
Settlements		-		
<b>Closing balance at 31 March</b>	<b>(101,100)</b>	<b>(127,750)</b>	<b>(4,230)</b>	<b>(4,850)</b>

##### Reconciliation of present value of the scheme assets:

	<i>Local Government Pension Scheme</i>			
	<i>2010/11</i>	<i>2009/10</i>		
	<i>£,000</i>	<i>£,000</i>		
Opening balance at 1 April	74,850	53,000		
Expected return on assets	5,390	3,400		
Actuarial gains and losses	1,989	18,035		
Employer contributions	3,071	2,895	270	274
Contributions by scheme participants	750	800		
Benefits paid	(3,680)	(3,280)	(270)	(274)
Settlements	-	-		
<b>Closing balance at 31 March</b>	<b>82,370</b>	<b>74,850</b>	<b>-</b>	<b>-</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,960,000 (2009/10: £18,060,000).

## Notes to the Accounts

37. Defined Benefit Pension Scheme (*continued*)

## Scheme History

	2006/07 £,000	2007/08 £,000	2008/09 £,000	2009/10 £,000	2010/11 £,000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(90,800)	(81,790)	(80,300)	(127,750)	(101,100)
Discretionary Benefits	(4,310)	(4,090)	(3,900)	(4,850)	(4,230)
<b>Total of liabilities</b>	<b>(95,110)</b>	<b>(85,880)</b>	<b>(84,200)</b>	<b>(132,600)</b>	<b>(105,330)</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>69,550</b>	<b>66,620</b>	<b>53,000</b>	<b>74,850</b>	<b>82,370</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(21,250)	(15,170)	(27,300)	(52,900)	(18,730)
Discretionary Benefits	(4,310)	(4,090)	(3,900)	(4,850)	(4,230)
<b>Total</b>	<b>(25,560)</b>	<b>(19,260)</b>	<b>(31,200)</b>	<b>(57,750)</b>	<b>(22,960)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £105 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £23 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- ◆ the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- ◆ finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £2,600,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £270,000.

## Notes to the Accounts

### 37. Defined Benefit Pension Scheme (*continued*)

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Sussex County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2010. The principal assumptions used in their calculations have been:

	<i>Local Government Pension Scheme</i>		<i>Discretionary Benefits</i>	
	2010/11	2009/10	2010/11	2009/10
<i>Long-term expected rate of return on assets in the scheme:</i>				
Equity investments	7.5%	7.8%	-	-
Bonds	4.9%	5.0%	-	-
Property	5.5%	5.8%	-	-
Cash	4.6%	4.8%	-	-
<i>Mortality assumptions:</i>				
<i>Longevity at 65 for current pensioners:</i>				
◆ Men	22.7 years	22.7 years	22.7 years	22.7 years
◆ Women	24.2 years	26.1 years	24.2 years	26.1 years
<i>Longevity at 65 for future pensioners:</i>				
◆ Men	24.3 years	24.8 years	24.3 years	24.8 years
◆ Women	26.4 years	28.3 years	26.4 years	28.3 years
Rate of inflation	2.8%	3.8%	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%	5.1%	5.3%
Rate of increase in pensions (CPI)	2.8%	3.8%	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2011	31/03/2010
Equity investments	77.0%	76.0%
Bonds	14.0%	15.0%
Property	7.0%	6.0%
Cash	2.0%	3.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
Differences between the expected and actual return on assets	-1.9%	-10.8%	-35.1%	24.1%	2.4%
Experience gains and losses on liabilities	0.0%	-1.7%	-0.1%	0.0%	11.1%

## Notes to the Accounts

### 38. Contingent Liabilities

The Council has given two guarantees in respect of Culture, Art and Sport (Arun) Ltd. (trading as Inspire Leisure), the Council's contractor for the management of its leisure services. In the event that the organisation ceases trading, the Council would be responsible for meeting the cost of (a) any West Sussex County Council Pension Fund liabilities in respect of Inspire Leisure staff (currently estimated at a maximum of £328,000); and (b) the payments on equipment leased by Inspire Leisure (£2,447 per month (approx. £29,000 p.a.) until 2011/12, and £2,724 per month (approx £33,000 p.a.) until 2012/13).

The Council has initiated a process of restructuring as part of the programme to achieve required reductions in expenditure, and provision has been made for redundancy costs where these are certain or probable to be incurred (note 36). It is possible that further redundancy costs may be incurred if redeployment or other mitigation is not viable, up to a maximum of £120,000.

In common with other local authorities, this Council may be subject to litigation arising from changes in the regulations governing charges made for personal searches of the local land charges register. Although funds have been set aside in an earmarked reserve to cover any successful claims, it is not possible at this stage to quantify the financial effect.

### 39. Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- ◆ **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- ◆ **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- ◆ **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council only has deposits with Financial Institutions, who have Fitch ratings (or Moody's if unavailable) of: Long - term AA-; Individual B/C; individual C/D for banks effectively nationalised by the UK government; support 3; and Money Market Funds which have been rated AAA, MR1+ or equivalent.

To date, the Council has not experienced any losses from non-performance by any of its counter parties in relation to its investments and none are currently anticipated in the coming reporting period.

Customers are not assessed for credit-worthiness, financial position or past experience unless in connection with tendering for service contracts. However, the Council operates an active debt recovery process to ensure the collection of all sums due to the council and the targeting of customers who may require assistance by way of extended terms for repayment of debt.

## Notes to the Accounts

### 39. Nature and Extent of Risks arising from Financial Instruments (continued)

#### Credit Risk (continued)

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £31.2 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to materialise. The following analysis summarises the risk categories of the Council's financial assets at 31 March 2011.

	<i>Amount at 31 Mar 2011 £,000</i>
<i>Deposits with financial institutions:</i>	
AAA rated counterparties	1,841
AA rated counterparties	29,446
Rated not strong counterparties	-
Debtors	1,161
<b>Total</b>	<b>32,448</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £496,000 of the £1,161,000 balance is past its due date for payment. (This excludes housing rent arrears, where an aged debt analysis is not available). The past due but not impaired amount of other debts can be analysed by age as follows:

	<i>31/03/2011 £,000</i>	<i>31/03/2010 £,000</i>
Less than three months	167	286
Three to nine months	77	95
Nine months to one year	23	46
More than one year	229	235
<b>Total</b>	<b>496</b>	<b>662</b>

#### Liquidity Risk

The Council has immediate access to a £3 million overdraft facility with its banker should there be a temporary need to borrow. The Council also has access to temporary borrowing for cash flow purposes from the money markets. The Council has a comprehensive cash flow management system that seeks to ensure cash is available as needed. All payments are included in the Council's budget and therefore the Council is not exposed to liquidity risk. The Council is debt free and as such is not exposed to the risk of having to borrow at adverse rates of interest. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

## Notes to the Accounts

### 39. Nature and Extent of Risks arising from Financial Instruments (continued)

#### Market Risk

*Interest Rates Risk.* The Council is debt free and as such not subject to the risk of interest rates rising on loans. All investments are cash and investments at fixed rates, except for the use of Money Market Funds to ensure stability. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the annual budget. Estimates for interest receivable are updated during the year as an integral part of the budget monitoring and planning process. This allows adverse changes to be identified at various times and accommodated within the budget. According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest receivable on variable rate investments of £68,000.

*Price Risk.* The Council does not invest in equity shares so is not exposed to losses arising from movements in the prices of shares.

*Foreign Exchange Risk.* The Council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.



## HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £,000		2010/11 £,000
	<b>Expenditure</b>	
3,043	Repairs and maintenance	2,724
4,169	Supervision and management	4,040
129	Rents, rates, taxes and other charges	117
4,082	Negative HRA Subsidy payable	4,187
2,686	Depreciation, amortisation and impairment of non-current assets	58,667
-	Debt management costs	-
79	Movement in the allowance for bad debts	46
<b>14,188</b>	<b>Total Expenditure</b>	<b>69,781</b>
	<b>Income</b>	
(12,852)	Dwelling rents	(12,789)
(316)	Non-dwelling rents	(368)
(460)	Charges for services and facilities	(575)
(635)	Contributions towards expenditure	(625)
<b>(14,263)</b>	<b>Total Income</b>	<b>(14,357)</b>
(75)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	55,424
212	HRA services share of Corporate and Democratic Core	183
<b>137</b>	<b>Net Cost of HRA Services</b>	<b>55,607</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
(161)	Gain or loss on sale of HRA non-current assets	(425)
19	Interest payable and similar charges	18
(115)	Interest and investment income	(63)
<b>(120)</b>	<b>Surplus or deficit for the year on HRA services</b>	<b>55,137</b>

## Movement on the HRA Statement

2009/10 £,000		2010/11 £,000
(4,160)	<b>Balance on the HRA at the end of the previous year</b>	(3,846)
(120)	Surplus or deficit for the year on the HRA Income and Expenditure Statement	55,137
434	Adjustments between accounting basis and funding basis under statute	(55,343)
314	Net increase or decrease before transfers to or from reserves	(206)
-	Transfers to or from reserves	-
314	Increase or decrease in year on the HRA	(206)
<b>(3,846)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(4,052)</b>

## Notes to the HRA Statement

### 1. Adjustments between accounting basis and funding basis under regulations

2009/10 £,000		2010/11 £,000
129	Difference between amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	113
154	Gain or loss on sale of HRA non-current assets	413
303	HRA share of contributions to or from the Pensions Reserve	168
57	Capital expenditure funded by the HRA	111
2,477	Transfer to/from the Major repairs Reserve	2,517
(2,686)	Transfer to/from the Capital Adjustment Account	(58,665)
<b>434</b>	<b>Total adjustments</b>	<b>(55,343)</b>

### 2. Housing Stock Analysis

	31 Mar 2011	31 Mar 2010
<b>Dwelling type</b>	<b>No.</b>	<b>No.</b>
Bedsits	179	179
Flats	1,580	1,583
Houses / bungalows	1,679	1,686
Hostels	2	6
<b>Total</b>	<b>3,440</b>	<b>3,454</b>
<b>Balance sheet value of assets</b>	<b>£,000</b>	<b>£,000</b>
Dwellings	145,144	241,753
Garages	2,326	5,125
Other land and buildings	931	530
Held for sale	48	-
Plant & equipment	178	12
Computer software	101	51
<b>Total</b>	<b>148,728</b>	<b>247,471</b>

### 3. Vacant Possession value of HRA Dwellings

The vacant possession value of dwellings within the Council's Housing Revenue Account as at 1<sup>st</sup> April 2010 was £460 million. Comparing the vacant possession value and the balance sheet value shows the economic cost to Government of providing council housing at less than open market rents.

### 4. Major Repairs Reserve

	2010/11 £,000	2009/10 £,000
<b>Balance at 1 April</b>	<b>-</b>	<b>834</b>
Major Repairs Allowance transferred from HRA	2,517	2,477
Transfer to Capital Adjustment Account re financing of HRA capital expenditure	(2,239)	(3,311)
<b>Balance at 31 March</b>	<b>278</b>	<b>-</b>

## Notes to the HRA Statement

### 5. Capital Expenditure on Land and Property within the HRA

	2010/11 £,000	2009/10 £,000
<b>Expenditure</b>		
Housing improvements and repairs	2,036	3,100
Other HRA assets	111	25
Disabled facilities Grants	403	443
<b>Total expenditure</b>	<b>2,550</b>	<b>3,568</b>
<b>Financed by:</b>		
Revenue contributions	111	57
Major Repairs Reserve	2,239	3,311
Usable Capital Receipts	200	200
<b>Total financing</b>	<b>2,550</b>	<b>3,568</b>

### 6. Depreciation charged to the Housing Revenue Account

	2010/11 £,000	2009/10 £,000
<b>Operational Assets</b>		
Council dwellings	2,086	2,555
Garages separate from curtilage of dwellings	34	117
Other tangible fixed assets	24	4
Intangible fixed assets	13	10
<b>Total</b>	<b>2,157</b>	<b>2,686</b>

### 7. Housing Subsidy

	2010/11 £,000	2009/10 £,000
Management Allowance	1,810	1,724
Maintenance Allowance	3,794	3,660
Major Repairs Allowance	2,517	2,477
Charges for capital	238	259
Rent	(12,545)	(12,201)
Interest on receipts	-	(1)
<b>Total amount payable to Central Government</b>	<b>(4,186)</b>	<b>(4,082)</b>

### 8. Rent Arrears

Tenants' arrears at 31 March 2011 were £293,000 (previous year £359,000). The provision for doubtful debts amounted to £95,000 (previous year £110,000).

### 9. HRA Contributions to Pensions Reserve

IAS 19 requires that the current service cost of retirement benefits is included in the Net Cost of Services in the Income and Expenditure Account, and the Housing Revenue Account fulfils this requirement with a charge of £372,000 having been made for the year. However, legislation requires that this charge be reversed out in the Statement of Movement on the HRA Balance, and replaced by contributions payable to the WSCC Pension Fund. These were calculated to be £540,000 for the year. The Head of Finance does not consider that the Housing Revenue Account has separately identified employees, and there is therefore no attribution of a share of other IAS 19 entries identified in the Comprehensive Income and Expenditure

## Collection Fund Statement

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009/10 £,000		2010/11 £,000
	<b>Income</b>	
	<i>Local Taxes:</i>	
79,200	Net Council Tax	81,278
	<i>Transfers from General Fund:</i>	
11,482	Benefits	12,199
67	Discretionary business rate relief	75
28,554	Net business rates	26,483
<b>119,303</b>	<b>Total income</b>	<b>120,035</b>
	<b>Expenditure</b>	
	<i>Demands and Precepts:</i>	
68,581	West Sussex County Council	70,743
8,150	Sussex Police Authority	8,427
12,985	Arun District Council	13,362
	<i>Transfers to General Fund:</i>	
177	Cost of Business Rate collection	176
-	Collection Fund surplus / (deficit)	-
	<i>Precepting authorities' share of Fund surplus or deficit:</i>	
-	West Sussex County Council	-
-	Sussex Police Authority	-
28,409	Contribution to NDR Pool	26,335
35	Interest	47
	<i>Bad and doubtful debts (Council Tax):</i>	
212	Written off	190
27	Provision adjustments	(8)
<b>118,576</b>	<b>Total Expenditure</b>	<b>119,272</b>
(727)	(Surplus) / deficit for year	(763)
(133)	Balance at 1st April brought forward	(860)
<b>(860)</b>	<b>Balance at 31st March carried forward</b>	<b>(1,623)</b>

The balance on this account represents the difference between total Council Tax receivable on an accruals basis and the demands of this Council and major preceptors on a cash basis. The shares attributable to these bodies are shown below. This Council's share is shown on the Balance Sheet as "Collection Fund Adjustment Account".

(658)	West Sussex County Council	(1,241)
(78)	Sussex Police Authority	(148)
(124)	Arun District Council	(234)
<b>(860)</b>	<b>Total</b>	<b>(1,623)</b>

## Notes to the Collection Fund Statement

### 1. Council Tax Base

	2010/11	2009/10
<i>Equivalent Valuation Band D properties in:</i>		
Valuation Band A	3,826	3,807
Valuation Band B	7,782	7,746
Valuation Band C	14,497	14,368
Valuation Band D	12,671	12,558
Valuation Band E	10,765	10,720
Valuation Band F	7,275	7,224
Valuation Band G	4,002	4,007
Valuation Band H	432	429
<b>Total Band D Equivalents</b>	<b>61,250</b>	<b>60,859</b>
Allowance for non-collection 0.6%	-369	-363
<b>Tax Base for year</b>	<b>60,881</b>	<b>60,496</b>

### 2. Council Tax (total including parish average)

	2010/11	2009/10
Valuation Band A	£1,013.25	£988.67
Valuation Band B	£1,182.13	£1,153.45
Valuation Band C	£1,351.00	£1,318.23
Valuation Band D	£1,519.88	£1,483.01
Valuation Band E	£1,857.63	£1,812.57
Valuation Band F	£2,195.38	£2,142.13
Valuation Band G	£2,533.13	£2,471.68
Valuation Band H	£3,039.76	£2,966.02

### 3. General Statistics

	2010/11	2009/10
Rateable value of non-domestic properties at 31st March	£80.0m	£70.2m
Number of non-domestic properties at 31st March	4,226	4,198
Non-domestic rating multiplier: small businesses	0.407	0.481
Non-domestic rating multiplier: other	0.414	0.485
Average Council Tax for a Band D property	£1,520	£1,483